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FISCAL IMPACT STATEMENT

LS 6322

BILL NUMBER: HB 1026

NOTE PREPARED: Dec 11, 2012

BILL AMENDED:

SUBJECT: Assessment of Real Property.

FIRST AUTHOR: Rep. Culver

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: The bill provides that after the assessed value of real property is determined in an appeal, the amount by which the assessed value of the real property can increase in the next three years is limited.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: *Summary:* This bill would eliminate the need for real property owners to repeatedly appeal their assessments in cases where the taxpayer prevails. This could reduce the number of appeals filed in some areas which could reduce both county and taxpayer costs.

Explanation of Local Revenues: *Summary:* In cases of an income-based assessment (other than the gross rent multiplier method), a temporary influence factor, or an assessor's appeal of a county Property Tax Board of Appeals (PTABOA) determination, this bill could cause an assessment to remain at an artificially low level for three years.

Beginning with March 1, 2014, assessments under this bill, increases to the assessed value (AV) for the three assessment date years following a successful appeal would be limited as follows:

1. If the gross rent multiplier was used to determine the value, the AV could not increase by more than the annual increase in total rents received. (The gross rent multiplier method is the preferred valuation method for residential rental property with up to four living units and for mobile homes.)
2. If the gross rent multiplier was not used to determine the value, the AV could not increase by more than 3% per year.

Adjustments to the assessment would be permitted if the property undergoes a physical change.

Background: Currently, when a taxpayer prevails in an assessment appeal to the PTABOA, the PTABOA's assessment modification applies only to the tax year or years that were appealed. Each tax year stands on its own. While the local assessor may use this modified assessment as the base for assessments in subsequent years, the assessor is not required to do so.

There are several reasons why an assessment modified by the PTABOA may not be carried forward. They include:

1. Timing issues between adjudication of the appeal and certification of the following year's assessment.
2. Some assessments are based on the income method, and income levels may change.
3. Influence factors may be applied to an assessment for a situation that presents itself for a limited amount of time.
4. Appeals of PTABOA decisions may be made to the Indiana Board of Tax Review (IBTR) and then the Indiana Tax Court and Indiana Supreme Court.

State Agencies Affected:

Local Agencies Affected: Local assessors, County Property Tax Assessment Boards of Review.

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